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TO RUEHC/SECSTATE WASHDC 8056
INFO RUEHAH/AMEMBASSY ASHGABAT 3112
RUEHTA/AMEMBASSY ASTANA 9250
RUEHEK/AMEMBASSY BISHKEK 3724
RUEHDBU/AMEMBASSY DUSHANBE 3588
RUEATRS/DEPT OF TREASURY WASHDC

C O N F I D E N T I A L TASHKENT 001196

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TAGS: PGOV EFIN PTER KTFN UZ
SUBJECT: GOU SUSPENDS PORTIONS OF MONEY
LAUNDERING/TERRORIST FINANCING LEGISLATION

Classified By: CDA Brad Hanson for reasons 1.4 (b) and (d).

¶1. (SBU) In late spring, President Karimov signed legislation suspending aspects of Uzbekistan's 2004 law on preventing money laundering and terrorist financing until 2013. The new legislation suspends the authority of the Department on Combating Tax, Currency Crimes, and Legalization of Criminal Proceeds ("Special Department") within the General Prosecutor's Office to order banks and other financial institutions to stop transactions. It also temporarily ends a mandatory two-day hold on most financial transactions in excess of approximately $40,000, as well as requirements that financial institutions identify and report on transactions above this amount to the General Prosecutor's Office.

¶2. (C) Comment: Although passed in 2004, the law on preventing money laundering and terrorist financing came into force only in January 2006. The law was adopted with great fanfare and as recently as November 2006 was touted to Poloff as bringing Uzbekistan's financial sector into compliance with international standards against money laundering and terrorist finance. Post understands from various contacts that the Special Department will continue to investigate financial crimes under the overall authority of the General Prosecutor, and several other laws restricting the flow of money in and out of Uzbekistan remain in effect.

¶3. (C) Comment, continued: Officially, the reason for suspending portions of the 2004 law is that Uzbekistan's financial system is not sufficiently mature to consistently carry out its requirements. Legitimate business interests in Tashkent have welcomed the suspension as the low threshold amount of $40,000 combined with high import fees created a situation in which even routine transactions were subject to mandatory review, leading to increased costs and frustrations. Various Embassy contacts have said, however, that, in reality, the law's strict requirements were making it harder for senior government officials and other members of the Uzbek elite to do business. Absent pressure from members of the elite feeling a pinch, the complaints of Tashkent's legitimate business community likely would have fallen on deaf ears.
HANSON